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IN THE

Supreme Court of the United States

OCTOBER TERM, 1965.

No. 293

CATAPHOTE CORPORATION,
Petitioner,

vs.

DE SOTO CHEMICAL COATINGS, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT.

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No. .....

CATAPHOTE CORPORATION,

Petitioner,

vs.

DE SOTO CHEMICAL COATINGS, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT.

Petitioner prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Ninth Circuit entered in the above-entitled case on February 8, 1966, a rehearing of which was denied on March 28, 1966.

OPINIONS BELOW.

The District Court gave an opinion reported at 235 F. Supp. 936 (N. D. Calif. 1964); and a copy of this opinion is included in the Appendix attached hereto (App. 25). The Court of Appeals opinion, affirming the District Court, is reported at 356 F. 2d 24 (C. A. 9, 1966); and a copy of that opinion is included in the Appendix (App. 14). A supplementary opinion by the Court of Appeals, denying a

request for a rehearing, is reported at 358 F. 2d 732 (C. A. 9, 1966); and a copy of that opinion is also included in the Appendix (App. 23).

JURISDICTION.

The judgment of the United States Court of Appeals for the Ninth Circuit was entered on February 8, 1966 (App. 21). A timely petition for rehearing was denied on March 28, 1966 (App. 22).

The jurisdiction of this Court is invoked under 28 U. S. C. 1254(1).

QUESTIONS PRESENTED.

1. Was it a denial of due process for the district court to expressly order a separate trial on a single issue and to categorically instruct petitioner during the separate trial that the only issue being tried was the single issue named in the order, and then, after it was too late for petitioner to submit evidence on unrelated additional issues, decide these unrelated additional issues adversely to petitioner so as to deprive petitioner of a property right?

2. Was it a denial of due process for the court of appeals to ignore the question of whether the district court accorded petitioner a fair trial and confine its review to whether the evidence supported respondent's contentions on said additional issues?

3. Did the court of appeals err in holding that petitioner, the patentee, had the burden of demonstrating patentable novelty for claims of its patent when 35 U. S. C. 282 specifically states that: "The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting it."

STATEMENT OF CASE.

Petitioner, Cataphote Corporation, instituted this action against DeSoto Chemical Coatings, Inc. in the United States District Court for the Northern District of California, Southern Division, alleging infringement of petitioner's United States Letters Patent No. 3,036,928. Federal jurisdiction was based on the patent laws of the United States.

The patent relates to a thermoplastic highway marking composition and to a method for applying the composition on a surface. The patent contains sixteen claims. Some of these claims (claims 1-2 and 6-16) cover a composition including a *polystyrene* resin. The other claims (claims 3-5) specifically recite a separate, discrete composition containing a different resin called an *alkyd* resin.

The patent issued on what is known as a continuation-in-part application which was based on an earlier application known as the original application. The original application disclosed compositions containing polystyrene resins, only. The continuation-in-part application disclosed compositions containing alkyd resins in addition to the compositions containing polystyrene resins.

During pre-trial discovery proceedings, it was determined that petitioner had used a composition, prepared in accordance with the teachings of its patent, at a time more than one year before the filing date of the original application. Respondent contended that this use was of such a character as to invalidate the patent under 35 U. S. C. 102(b). Petitioner contended that the character of the use was experimental and hence did not invalidate the patent.

Respondent moved for a separate trial, under Rule 42(b) FRCP, on the single issue of whether or not petitioner's

activities before the critical date, i.e., more than one year prior to the filing date of the original application, invalidated the patent. Petitioner opposed respondent's motion for a separate trial, but the district court, in a written opinion reported at 235 F. Supp. 931, 936 (N. D. Calif. 1964), granted:

> ". . . defendant's motion for separate trial on the issue whether plaintiff's alleged invention is invalid because placed in public use or on sale in this country more than one year prior to the date of application for said patent within the meaning of 35 U. S. C. Section 102(b). . . ." (App. 46).

A copy of this opinion is included in the Appendix (App. 39).

According to the express order of the District Court, the *only* issue to be determined at the separate trial was whether petitioner's activities before the critical date constituted public use or on sale; and petitioner prepared for trial on this single issue.

At the separate trial, respondent introduced evidence showing that, before the critical date, petitioner had used a composition containing polystyrene resins. No evidence was introduced showing *any* type of use, at any date, of compositions containing alkyd resins.

However, at the outset of the trial, respondent indicated that, with respect to those claims reciting a composition containing alkyd resins (claims 3-5), respondent intended to argue the invalidity of these claims on the grounds that: (1) these claims were unpatentable over the claims covering compositions containing polystyrene resins; and (2) the inventor named in the patent was not the inventor of the subject matter of claims 3-5 (V. 3, pp. 20-27).* This was the first indication to petitioner that the additional

* "V." followed by a number refers to the volume of the record, "p." followed by a number refers to the page in the volume.

issues of patentability and inventorship of claims 3-5 were to be raised at the separate trial which petitioner had understood was supposed to be directed to the single issue of prior public use and on sale.

As soon as petitioner became aware of respondent's theretofore undisclosed intentions, petitioner objected to considering these additional issues at the separate trial. Petitioner informed the court that, pursuant to the court's order for a separate trial, petitioner had prepared for trial on the single issue of prior public use or on sale, only, and that consideration of the additional issues would require petitioner to prepare and submit entirely different evidence than that applicable to the single issue, including expert testimony and the testimony of the inventor, neither of whom were present at the trial and for whom no preparation had then been made by petitioner (V. 3, pp. 28-30). In its motion for a separate trial, respondent had represented to the court that no expert would be required.

In reply to petitioner's objections, the court temporarily deferred the question of whether the additional issues should be tried (V. 3, p. 47); and respondent proceeded to present its case.

Among the evidence introduced by respondent during the presentation of its case, was evidence going to the additional issues of inventorship and patentability of claims 3-5.

At the conclusion of respondent's presentation, and before the presentation of petitioner's case, petitioner expressly raised the question of whether the additional issue of inventorship was to be tried at the separate trial, pointing out that petitioner wanted to avoid being put into a position of having to introduce evidence on this additional issue. The district court instructed petitioner, in open court (V. 4, p. 289):

> "Well, frankly, that is not the issue we are trying. We are trying the issue of prior use here and this question comes up only insofar as it may be related to that."

Having been thus categorically instructed by the court that prior use was the only issue being tried, petitioner did not ask for a recess or a continuance to enable it to prepare evidence on the additional issues.

At no time thereafter did the court instruct petitioner that any issue other than prior use was on trial or that petitioner should present evidence on the additional issues; and no evidence on the additional issues was prepared or submitted by petitioner at the separate trial.

Sometime after the short, three and one-half day trial, the district court handed down a decision (App. 25) in which it held that claims 1-2 and 6-16 (covering compositions containing polystyrene resins) were invalid because of prior public use or on sale.

With respect to claims 3-5 (reciting compositions containing alkyd resins), the district court held that these claims were invalid because the inventor named in the patent was not the inventor of these claims and because these claims were not patentable over the claims covering compositions containing polystyrene resins (App. 32-3). At no time before the court handed down its decision was petitioner advised by the court that it intended to decide any issue other than prior use.

Petitioner appealed the decision of the district court to the Court of Appeals for the Ninth Circuit, contending, among other things, that the district court acted unfairly in invalidating claims 3-5 on the additional issues of inventorship and patentability. The court of appeals affirmed the district court (App. 21).

A petition for rehearing to the court of appeals, directed

solely to claims 3-5 and especially to the question of whether petitioner had been denied due process by the district court's actions in connection with claims 3-5, was denied. In doing so, the court of appeals completely ignored the question of due process, merely holding that the district court's findings in connection with claims 3-5 were supported by the evidence (App. 23-4).

REASONS FOR GRANTING THE WRIT.

I. Petitioner Was Denied Due Process When the District Court Expressly Ordered Petitioner to Prepare for a Separate Trial on the Single Issue of Prior Public Use, Categorically Instructed Petitioner During the Trial That the Only Issue to Be Tried Was Prior Use, and Then, After the Trial Had Been Concluded, Decided Additional Issues Which Deprived Petitioner of a Property Right.

Petitioner was deprived of property without the due process to which it was entitled under the Fifth Amendment to the U. S. Constitution (App. 13).

Due process requires notice and the opportunity for a hearing appropriate to the nature of the case. *Mullane* v. *Central Hanover B. & T. Co.*, 339 U. S. 306, 313; 94 L. Ed. 865, 873 (1949).

Moreover, merely giving notice at some time or other is not sufficient to satisfy the requirements of due process. Notice must be given in sufficient time to enable a litigant to prepare evidence directed toward the issue in question. *Merrill* v. *Rokes*, 54 Fed. 450, 453 (C. A. 8, 1893).

A litigant must have not only a reasonable opportunity to *know* the contentions of the opposing party, but also it must have a reasonable opportunity to *meet* these contentions. *Morgan* v. *United States*, 304 U. S. 1, 18; 82 L. Ed. 1129, 1131 (1937).

Inherent in due process is the reasonable opportunity to *prepare* to meet the contentions of the opposing party. *Brotherhood of Railroad Trainmen* v. *Chicago, M.; St. P. & P. R. Co.*, 237 F. Supp. 404, 418 (D. C. D. C. 1964), citing *Avery* v. *Alabama*, 308 U. S. 444, 446; 84 L. Ed. 337, 379 (1940).

Compare the requirements of due process, set forth above, with the events transpiring in the present case, summarized below:

(1) the district court, at respondent's request, expressly ordered petitioner, in a written opinion, to prepare for a separate trial on the single issue of prior public use or on sale;

(2) petitioner appeared at the trial prepared then to try only the single issue of prior public use or on sale;

(3) at the outset of the trial, without previous notice, respondent raised the additional issues of patentability and inventorship of claims 3-5;

(4) the court permitted respondent to introduce evidence on these additional issues despite the objection of petitioner, at the outset of the trial, that it was not *then* prepared to meet the contentions of respondent on these additional issues;

(5) after the presentation of respondent's case and before the presentation of petitioner's case, petitioner again raised the question of whether additional issues were to be tried at the separate trial, pointing out to the court that petitioner wanted to avoid being put into the position of having to introduce evidence on an additional issue;

(6) the court then categorically instructed petitioner, in open court, that the *only* issue being tried was prior use (V. 4, p. 289);

(7) having been thus instructed by the court, petitioner neither prepared nor presented evidence on the additional issues;

(8) sometime after the short, three and one-half day trial had been concluded, the court rendered a decision on the additional issues despite having instructed petitioner to the contrary during the trial;

(9) as a result of the court's decision on the additional issues, petitioner was deprived of its property right in claims 3-5.

The inescapable conclusion which follows from a comparison of the requirements of due process with the treatment to which petitioner was subjected is that petitioner was denied due process.

It would have been a simple matter for the district court to have provided petitioner with the due process to which it was entitled. Any one of several procedures was available to the court. For example, having ordered a separate trial on the single issue of prior use, the court could have properly refused to permit respondent to offer evidence on the additional issues of inventorship or patentability of claims 3-5. Alternatively, the court could have postponed the entire trial for a period to permit petitioner to prepare on these additional issues. As a further alternative, the court could have admitted the evidence of respondent on the additional issues but withheld its decision on these issues until petitioner had been given the opportunity to prepare and submit, at a subsequent time, its evidence on these additional issues.

The fact that the procedures described in the preceding paragraph may have been inconvenient or inexpedient or may have resulted in delay did not justify the action of the district court in deciding the additional issues after categorically instructing petitioner otherwise. *Ohio Bell Tel.*

Co. v. *Public Util. Comm'n.*, 301 U. S. 292, 305-6; 81 L. Ed. 1093, 1102 (1937).

Due process is not a matter of discretion for the court, but is a right to which all litigants are entitled, *Coe* v. *Armour Fertilizer Works*, 237 U. S. 413, 425; 59 L. Ed. 1027, 1032 (1915); and the provisions of due process should be liberally construed. *Boyd* v. *United States*, 116 U. S. 616, 635; 29 L. Ed. 746, 752 (1886).

II. Petitioner Was Denied Due Process by the Court of Appeals When That Court Ignored the Question of Whether the District Court Accorded Petitioner a Fair Trial.

The court of appeals considered only whether the evidence supported the district court's findings in connection with inventorship and patentability of claims 3-5 and held that the evidence did support the findings (App. 23-4).

In light of the fact that petitioner was misled, by the categorical instruction of the district court, to forego the preparation and submission of evidence on these additional issues, so that the only evidence in the record was that submitted by respondent, it would have been surprising if the court of appeals had held otherwise.

It was a denial of due process for the district court to rule on the additional issues of inventorship and patentability of claims 3-5 after categorically instructing petitioner otherwise; and it was an aggravation of this denial for the court of appeals to completely ignore the question of whether petitioner had been denied due process by the district court.

III. The Court of Appeals Ignored the Requirements of 35 U. S. C. 282.

35 U. S. C. 282 states:

> "A patent shall be presumed valid. Each claim of a patent (whether in independent or dependent form) shall be presumed valid independently of the validity of other claims; dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting it."

Despite the express provisions of this statute, the court of appeals held:

> "The alkyd resin patent claim is clearly barred by the same public use and sale which barred the styrene resin claim. The variation represented by the change in resin composition *was not demonstrated to have entailed a patentable novelty.*" (Emphasis added.) (App. 20).

Not only must the alkyd resin claims be considered independently of the styrene resin claims, but, also, there was no burden on petitioner to demonstrate patentable novelty of claims 3-5 over the styrene resin claims. The Patent Office had already decided that petitioner had done this. The burden was on respondent to demonstrate *lack* of patentable novelty.

Moreover, even assuming that petitioner had such a burden of proof on the issue of patentability, it is not seen how petitioner should be expected to discharge this burden when petitioner was categorically instructed by the district court that the only issue being tried was prior use.

Conclusion.

Petitioner was denied due process by the district court when the district court expressly ordered petitioner, in writing, to prepare for trial on the single issue of prior public use or on sale, categorically instructed petitioner at the trial, in open court, that the only issue being tried was prior use, and then declared claims 3-5 invalid on the grounds of lack of inventorship and patentable novelty, notwithstanding its contrary instruction to petitioner.

Petitioner was denied due process by the court of appeals when the court of appeals ignored the question of whether the district court had given petitioner a fair trial and confined its review to determining whether the findings of the district court were supported by evidence, preparation and submission of which was foregone by petitioner as a result of a categorical instruction by the district court.

For the above-stated reasons, a Writ of Certiorari should be granted.

Respectfully submitted,

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APPENDIX.

PERTINENT CONSTITUTIONAL PROVISION INVOLVED.

Fifth Amendment to the Constitution of the United States:

> No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

PERTINENT STATUTE INVOLVED.

35 U. S. C. 102 (b):

> Conditions for patentability; novelty and loss of right to patent
>
> A person shall be entitled to a patent unless—
>
> * * * * *
>
> (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, . . .

OPINIONS.

I. Opinion of Court of Appeals Affirming District Court.

UNITED STATES COURT OF APPEALS.
For the Ninth Circuit.

CATAPHOTE CORPORATION, a corporation,
Appellant,
vs.
DE SOTO CHEMICAL COATINGS, INC., a corporation,
Appellee.

No. 19,827.

[February 8, 1966.]

Appeal from the United States District Court for the Northern District of California.
Southern Division.

Before: BARNES, HAMLIN and ELY, *Circuit Judges*

BARNES, *Circuit Judge*:

This appeal arises from a district court judgment adverse to plaintiff-appellant, Cataphote Corporation, in a patent infringement suit instituted against defendant-appellee, De Soto Chemical Coatings, Incorporated.[1]

The district court had jurisdiction pursuant to 28 U. S. C. § 1338. This court has jurisdiction pursuant to 28 U. S. C. § 1291.

---

1. The determinative issue was raised in defendant's motion for a separate trial on that issue.

The district court held appellant's patent claim invalid on the basis of the limitations imposed by 35 U. S. C. § 102(b). This section provides:

> "A person shall be entitled to a patent unless—
>
> * * *
>
> (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . . ."

The district court concluded that appellant's patent ownership was invalid because "the invention" of that patent was "in public use or on sale in this country, more than one year prior to the date of application for patent in the United States." The sole issue on this appeal is whether or not the district court erred in concluding that appellant's patent application was untimely.

The patent involved in this infringement proceeding purports to cover a thermoplastic pavement-marking composition, used principally for traffic lane markings on public thoroughfares. In September 1955, Cataphote had hired Arthur D. Little, Inc., to engage in research to develop a marking substance which might prove more durable than the paint which was customarily used for this purpose. John A. Poole, a Little employee, and the nominal patentee, developed the substance for which Cataphote was eventually granted a patent. It is the timeliness of the application for that patent that concerns us in this present controversy. Appellee's defense, sustained by the district court, contended that appellant's patent application of November 12, 1957 had been filed more than one year after the subject matter had been in public use and on sale in the United States, and, therefore, the patent was clearly void under the express terms of 35 U. S. C. § 102(b). The express purpose of this statutory provision was to prevent the extension

of the monopoly period permitted by the patent laws by requiring an inventor to make timely application so that the patent period might commence to run without undue delay. The district court concluded that appellant's patent, if sustained, would result in a circumvention of both the terms and policy of section 102(b).

The disputed factual issue contested at trial and raised again on this appeal concerns whether or not the patent application of November 12, 1957 was filed more than one year after the product was placed in public use or on sale in this country; *i.e.*, the factual issue before the district court was whether the thermoplastic was in public use or on sale prior to the critical date of November 12, 1956. The district court concluded that it was, rejecting appellant's contention that its activities with respect to the thermoplastic prior to the crucial date were merely *experimental.*

The determination of whether appellant's activities prior to the critical date were merely experimental or were of the kind set out in section 102(b) is a matter left for the consideration of the trier of fact. The resolution of this question depends principally upon a careful examination of each item of evidence and an evaluation thereof to judge the nature and purpose of the course of conduct of the purported patent holder. We cannot accept appellant's characterization of this problem as one involving a matter of law, and, therefore, one free of the limitations imposed on an appellate court when reviewing the factual determinations of the court below. The resolution of the sole issue raised regarding section 102(b) depends entirely on a determination, from the totality of evidence presented by both parties, of the nature of the acts committed prior to the critical date and the purpose that motivated the commission of those acts. To the extent that issues can be accurately characterized as solely questions of law or fact, the crucial issue involved in this controversy is an issue of fact.

Appellant, though reluctant to characterize the issue involved as one of fact, does nevertheless ground its argument on a purported demonstration of the "clearly erroneous" nature of the district court's findings. In so doing, however, appellant disregards the severe limitations imposed on an appellate court in reviewing findings of fact. It is not our function to reevaluate the evidence presented below. We cannot substitute our judgment for the first-hand evaluation made by the trier of fact. Pursuant to Rule 52(a) of the Federal Rules of Civil Procedure, our obligation is to determine if the findings below were "clearly erroneous." This statutorily imposed standard does not vest us with power to reweigh the evidence presented at trial in an attempt to assess which items should and which should not have been accorded credibility. Our task, rather, is to determine if there exists evidence of substance to support the findings of fact of the trial court. Thus, it does not aid appellant's position on review to merely extract that evidence presented which supports its position; rather it must additionally demonstrate that no substantial evidence was presented which supports the district court findings in favor of appellee.

We have examined the entire record of this proceeding as well as the briefs of both parties. We cannot say that no substantial evidence exists to support the factual findings of the district court.[2] Nor are we of "the definite and

2. Early in 1956, tests were made outside the Cataphote plant in Florwood, Mississippi. In May and June 1956, Cataphote sold the proposed thermoplastic composition to the cities of Grand Rapids, Lansing and Jackson, Michigan, and negotiated with public agencies in Atlanta, Georgia, Dallas, Texas and Toledo, Ohio. Sales in Toledo, Ohio and Chicago, Illinois developed in August and November 1956. Regular invoices were rendered when sales occurred, and commissions paid on these sales to Cataphote's salesman Reed.

The trial court was undoubtedly influenced in his conclusion these were not experimental installations, because of the paucity of testimony that anyone on behalf of Cataphote had at any time inspected the results of pavement use.

firm conviction that a mistake has been committed." *United States* v. *United States Gypsum Co.*, 333 U. S. 364, 395 (1948). The facts, as fully set forth in the district court's findings,[3] reveal that appellant had instituted a period of market testing, well beyond the product experimental stage, substantially in advance of the critical date. As one example, Cataphote's president, in a letter of February 6, 1956, unambiguously instructed the developing company, Arthur D. Little, Inc., to discontinue its chemical research as of February 15, 1956, and devote its efforts instead to the development of an applicating machine.[4] The evidence also discloses that in the spring and summer of 1956 Cataphote began negotiations with public agencies in many parts of the country for sales of the newly-developed thermoplastic process. The sales that eventually evolved from these negotiations, in August and September 1956, were concededly of a limited volume and at a reduced price. But these factors are not conclusive evidence that the product was still being treated experimentally as that term is used in patent law. Rather these factors are consistent with a program of market testing, product introduction, and sales promotion that is consistent with a stage of product development well beyond the experimental. The principal purpose of these sales to public agencies was commercialization of the product, not further experimentation and testing of the ultimately patented product. At this stage of commencement of negotiations, the product was sufficiently developed that its commercial promotion could have been the primary motivation behind appellant's course of conduct.

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3. Finding of Fact 6 (C. T. p. 30), adopting as subsidiary findings those set forth in its memorandum of decision filed October 8, 1964 (C. T. pp. 17-28).

4. Appellant urges that this letter was countermanded by oral instructions from Cataphote's president, but doubtless the fact that Little records show "virtually no work" on the chemical development for the year 1956 after February 15, 1956 influenced the judgment of the trier of the facts.

The district court findings recite a number of additional indicia of the commercialization of the thermoplastic which substantiate the basic finding of the court and which we do not consider it necessary to here repeat. They also are consistent with the finding that the entire course of appellant's conduct after February 1956 was to promote product *sales,* and any testing that occurred had as its primary objective an ascertainment of the product's marketability. This activity, as noted by the district court here (as well as the court in *Smith & Davis Mfg. Co.* v. *Mellon,* 58 Fed. 705 (8th Cir. 1893)), is typical of "a trader's, and not an inventor's, experiment," and "such a use does not carve an exception out of the statute." We conclude that the district court properly found that appellant's patent, arising from its application filed November 12, 1957, was invalid.[5]

An additional charge of error is raised by appellant's challenge of the district court's finding that a highway-marking product covered by another patent number was also rendered invalid by the acts prior to the critical date. The patent application of November 12, 1957 concerned a thermoplastic composition which used a styrene resin. That application was abandoned in 1960 and was supplanted by a continuation-in-part application which included different resin ingredients (principally alkyd resin). Appellant urges that the finding of public use and sale in excess of one year prior to patent application should not have been applied to this new patentable alkyd resin product.

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5. Appellant also urges that this was not a proper case for determination by separate trial of one issue; that the issue of experimental use *vis-a-vis* commercial use is related to the issue of invention—*i.e.*, patentability. But it is also material on the issue of prior use. In ordering a separate trial, the district court did not abuse the discretion conferred by Rule 42(b), Federal Rules of Civil Procedure.

We conclude this argument is untenable. The alkyd resin patent claim is clearly barred by the same public use and sale which barred the styrene resin claim. The variation represented by the change in resin composition was not demonstrated to have entailed a patentable novelty. The variation involved was but a minor variation of the product, and added nothing which was patentable. The prior public use or sale which invalidated the patent application of November 12, 1957 similarly invalidated the continuation-in-part application.

The judgment of the district court is *affirmed.*

(This opinion modified by order of 3/28/66.)

JUDGMENT.

UNITED STATES COURT OF APPEALS,
For the Ninth Circuit.

CATAPHOTE CORPORATION, a Corp.,
Appellant,
vs.
DE SOTO CHEMICAL COATINGS, INC., a Corp.
Appellee.

No. 19,827.

APPEAL from the United States District Court for the Northern District of California, Southern Division.

THIS CAUSE came on to be heard on the Transcript of the Record from the United States District Court for the Northern District of California, Southern Division and was duly submitted.

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court, that the judgment of the said District Court in this Cause be, and hereby is affirmed, with costs in this court in favor of the appellee and against the appellant.

COSTS: Reproduction portions of record $53.76.

Filed and entered Feb. 8, 1966.

UNITED STATES COURT OF APPEALS,
For the Ninth Circuit.

Excerpts from Proceedings of Monday, March 28, 1966.

Before: BARNES, HAMLIN and ELY, Circuit Judges.

ORDER DENYING PETITION FOR REHEARING.

On consideration thereof, and by direction of the Court, IT IS ORDERED that the petition of appellant filed March 9, 1966, and within time allowed therefor by rule of court, for a rehearing of above cause be, and hereby is denied.

II. Opinion of Court of Appeals Denying Petition for Rehearing.

UNITED STATES COURT OF APPEALS,
For the Ninth Circuit.

CATAPHOTE CORPORATION, a corporation,
Appellant,
vs.
DE SOTO CHEMICAL COATINGS, INC., a corporation,
Appellee.

No. 19,827.

[March 28, 1966.]

ON PETITION FOR REHEARING.

Before: BARNES, HAMLIN and ELY, Circuit Judges.

The opinion of this Court, filed February 8, 1966, is modified by striking the last line of said opinion, and inserting the following in its place:

> "We base our conclusions expressed in the last paragraph on the following findings made below, and appellee's notes 11, 12 and 13, hereinafter set forth, as they appear in appellee's brief:
>
> > "Although plaintiff, Cataphote, now makes the point that the compositions used in these public uses, on sale and sales were not the same compositions as claimed in some of the claims of the patent (e.g., claims 3, 4 and 5, added by the application filed December 18, 1959), Cataphote has previously admitted in its Answers to Interrogatories that all of the Thermaline materials so used and sold were covered by the patent, explicitly stating in Answer to Interrogatory No. 46 that "all sales of Thermoplastic highway marking com-

positions sold by Cataphote both before and after the issuance of the patents in suit were in accordance with the teachings of the patents in suit or the applications upon which the patents were based.''

'It was in large part upon this admission and plaintiff's ostensible theory of the case that the issue on separate trial would be merely whether the alleged public uses and on sale were ''experimental'' in nature that a separate trial of the issue of public use and on sale was ordered by the Court. (See, Memorandum of Decision [on defendant's motion for separate trial of issues]), filed herein May 19, 1964.

'Apart from this evidence and this theory of the case, the evidence is further clearly to the effect that Poole was not the inventor of the examples added by the application of December 18, 1959, which form the basis of the specifications of claims 3, 4 and 5.[11] The evidence also clearly shows that the particular form of the product embodied in these claims is a nonsubstantial variation from Poole's original specifications of November 12, 1957[12] and, further, that any asserted differences between the composition publicly used, on sale, and sold and other claims of the patent are mere improvements or minor variations.[13]

''We agree with appellees that these findings are supported by the evidence.'

''The judgment of the district court is *affirmed*.''

With this change, the petition for rehearing is denied.

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11. Specification 11 (AOB 19-20) challenges this finding; the evidence which supports it is discussed in this brief, pages 42-46.

12. Specification 12 (AOB 20) challenges this finding; the evidence which supports it is discussed in this brief; pages 46-47.

13. Specification 13 (AOB 20) challenges this finding; the evidence which supports it is discussed in this brief; pages 46-47.' (Appellee's Brief, pp. 12-13.)

III. Opinion of District Court Following Separate Trial.

CATAPHOTE CORPORATION, Plaintiff,

vs.

DeSOTO CHEMICAL COATINGS, INC., Defendant.

No. 40985.

UNITED STATES DISTRICT COURT,
N. D. California, S. D.

Oct. 8, 1964.

SWEIGERT, *District Judge.*

Pursuant to previous order of the Court a separate trial has been had of the defenses of public use and on sale (Title 35 USC § 102(b)).

Since the date of patent application for purposes of this case is November 12, 1957, the critical date involved in this defense is November 12, 1956.

The evidence shows in substance and effect that in 1955 Cataphote had marketed a pavement marking composition after very limited testing but, receiving complaints about it turning black, stopped production and set about looking for a better product.

It found out about a British product and used that formulation in 1955, but, finding it was not sufficiently durable for American volume and traffic weight, closed the line and in late September, 1955, entered into arrangements with Arthur D. Little Co., (hereinafter referred to as Little Co.) to develop a more suitable product.

Between October, 1955 and February, 1956, John A. Poole, an employee of Little Co., and the nominal patentee,

developed several formulations, including specific samples recited in the ultimate patent, and transmitted them to Cataphote. Neither Poole nor Little Co., imposed any conditions as to the use of these formulations upon Cataphote or on any persons with whom Cataphoe might deal.

Cataphote proceeded to test these formulations by laying them down at various locations in the streets in the vicinity of its Florwood, Mississippi plant.

On February 6, 1956, Cataphote, through its then president, wrote to Little Co. suggesting that chemical research be discontinued as of February 15, 1956, provided that nothing superior to this styrene line was found by that time, and that the balance of the appropriation should be applied to the mechanical division for development of a machine to extrude the line.

The witness, C. H. Searight, now president of Cataphote testifies that this discontinuance letter was orally countermanded by him but the records of Poole and Little Co. significantly show that after February, 1956, there were virtually no work notes of Little Co. on the chemical development for the rest of that year.

In the spring and summer of 1956 Cataphote entered into negotiations with various public agencies—Atlanta, Georgia; Dallas, Texas; Grand Rapids, Lansing and Jackson, Michigan; and Toledo, Ohio—for sale to them of its product.

The negotiations with Atlanta and Dallas had no results but in May, 1956, actual sales and installations were made at Grand Rapids, Lansing and Jackson, Michigan and, later in August, 1956, at Chicago and Des Plaines, Illinois and later in September, 1956, further installations at Toledo, Ohio.

The evidence shows beyond doubt that all of these actual installations constituted not only "public use" and "on

sale'' of the product, but actual sales of it to these various governmental agencies—sales clearly evidenced by purchase orders and paid for—unless it can be found, as contended by plaintiff Cataphote, that the sales were made, not for commercial purposes, but only for the purpose of further experimentation and testing of the ultimately patented product.

Although the burden of proving prior ''public use'' or ''on sale'' is upon the party alleging such affirmative defense (the defendant DeSoto here), *Tucker Aluminum Products, Inc.* v. *Grossman,* 312 F. 2d 293 (9th Cir. 1963), it has been held that, where prima facie proof of such defense is met only by the claim that the prior use or on sale was not such within the meaning of the statute because it was for the purpose of perfecting an incomplete invention by tests and experiments, such proof on the part of the patentee should be ''full, unequivocal and convincing,'' *Smith & Griggs Mfg. Co.* v. *Sprague,* 123 U. S. 249, 264, 8 S. Ct. 122, 31 L. Ed. 141 (1887). See also, *Merrill* v. *Builders Ornamental Iron Co.,* 197 F. 2d 16, 19 (10th Cir. 1952); *A. Schrader's Sons, Inc.* v. *Wein Sales Corp.,* 9 F. 2d 306 (2d Cir. 1925).

Careful consideration of the evidence, both oral and documentary, leads the Court to find and conclude that, although the product was a new product whose saleability in the market required demonstration of its usefulness to prospective customers, the ''public use'', the ''on sale'' and the actual sales proven by defendant were not for the mere purpose of experimentation or testing of the ultimately patented product by Poole, Little Co., or Cataphote itself, but were for the commercial purpose of demonstrating to the trade what the patentee and Cataphote then considered to be a completed product already satisfactorily reduced to practice.

The evidence shows that the product had been developed, tested and reduced to practice satisfactorily to Cataphote as early as March or April, 1956, to a point at which Cataphote not only considered discontinuance of further chemical development of the product and transfer of attention to development of more suitable machine to extrude it, but also considered, although for some reason did not make application for, a patent on the product.

The evidence shows that as early as March, 1956, Cataphote was informing the trade, e. g., letter to Dr. Hasli, that it manufactured a plastic line applied hot which was much longer lasting than other products; that in April, 1956, it was inviting purchase orders from cities, e. g., Atlanta, Ga., for whatever size pilot installations of Cataphote "Thermaline" the city felt would enable it, i. e., the city, to adequately evaluate the material; that in May, 1956, it was informing cities, e. g., Dallas, of Cataphote's conditions for a test of "our new striping product",; that by May, 1956, it was establishing selling prices for the product which were listed by September, 1956 and maintained throughout its later marketing; that by June, 1956, it was arranging for letterheads designating the product as its product, the letterheads being ordered in July, 1956, and actually put into use by October, 1956, that by April, 1956, it adopted the trademark "Thermaline" for the product and in June, 1956, it was applying to the Patent Office for a trademark registry on that name and stating in connection therewith that its first use for goods in interstate commerce had been in April, 1956 and that the first application of a commercial nature was at Lansing, Michigan on May 23, 1956.

In May, 1956, the actual installations at Lansing, Grand Rapids and Jackson, Michigan and Toledo, Ohio, were made under arrangements which, according to the correspondence and documents, had all the earmarks of ordinary commer-

cial sales without any contemporaneous indication of a limitation that the sales were for the purpose of further experimentation or testing of the product by Cataphote and with every indication that the sales were pursuant to a Cataphote program to commercially promote the product by such pilot sales as would demonstrate the usefulness, advantages and durability of Cataphote's new product to the purchasers who constituted its obvious market.

In fact, the contemporary correspondence connected with these and the later 1956 sales, refers, not to experimentation, but to "demonstrations". Cataphote did not indicate to any of the purchasers that these and later 1956 sales and installations were for its own experimentation or testing of the product. No evidence was produced from any of the public agencies to show any such understanding or circumstances.

When the material at Lansing and at Grand Rapids eventually wore out after about six months use, Cataphote replaced one and granted a credit for the other.

In August, 1956, similar actual sales and installations were made at Chicago and Des Plaines, Illinois, which were billed by Cataphote on regular open account.

In September, 1956, Cataphote accepted similar purchase orders from the State of Ohio and in November, 1956, installed the product at Toledo and billed for the material.

It is true, as argued by plaintiff, Cataphote, that purchasers of a new traffic product considerably more expensive than conventional paint, would have to be convinced by actual use and demonstration before committing themselves to larger purchases for more extensive use. In fact, some cities, e.g., Atlanta and Dallas, would not purchase any of the Cataphote product.

However, as stated in *Smith & Davis Mfg. Co.* v. *Mellon*,

58 F. 705 (8th Cir. 1893), a testing of the market, to see how the product will take with the trade is "a trader's, and not an inventor's, experiment. Such a use does not carve an exception out of the statute." See also, *Wilkie* v. *Manhattan Rubber Mfg. Co.*, 14 F. 2d 811 (3rd Cir. 1926).

The fact, therefore, that the total of these first actual sales of the Thermaline product by Cataphote did not exceed about $650 (out of which regular commissions were paid to Cataphote sales representatives in the various markets) is understandable.

Further, it appears from the evidence that during the year 1956 Cataphote was not quite yet in a position to make, deliver and install large sales of Thermaline, not because of the product, itself, but because it had not yet developed a suitable and efficient machine with which to apply the product on the streets in large quantities. It did not develop such a machine until 1957—a fact which largely explains the only definite contemporary claim of experimentation ever made by Cataphote—its correspondence with its sales representatives, Bell and Gustus, at Toledo, Ohio, as late as December, 1956.

This fact tends further to explain why Cataphote did not launch an advertising program to promote the sale of Thermaline until early 1957.

In any event, the amount involved in a sale or public use of a product, although it should be considered in determining the true character of the transaction, is by no means the legal test for public use or on sale—nor is mere lack of profit or market success. See *Consolidated Fruit-Jar Co.* v. *Wright*, 94 U. S. 92, 24 L. Ed. 68 (1876); *Sperry Rand Corp.* v. *Bell Telephone Laboratories, Inc.*, 208 F. Supp. 598, 604 (S. D. N. Y. 1962), appeal dismissed 2 Cir., 317 F. 2d 491.

The evidence shows that except for reports concerning

the initial sales and installations, Cataphote maintained no regular or detailed records concerning the performance of the product in use nor did it make any sampling reports on the so-called experimental installations either for itself or for Little Co., or Little Company's employee, Poole, the actual inventor, neither of whom participated in the experiments or in any consultations about the results.

On the contrary, the evidence shows that any interest of Cataphote and its employees in following up on the so-called experimental installations was expressed in a most vague, casual and irregular manner. Only the normal hopefulness of a seller that his product would hold up well in use by the purchasers as distinguished from an inventor's check of experiments and tests, is indicated by the evidence.

Although plaintiff contends that it did not determine to market its Thermaline product commercially until about December, 1956, (just within the allowable one year period) it had in September, 1956, shipped the product from New Orleans to Shabrag Co., Teheran, Iran, pursuant to an outright sale transaction for demonstration and sample purposes. Although this foreign "on sale" transaction does not fall within the provisions of Title 35 Sec. 102, it does shed light upon the question whether the other 1956 "on sale" and "public use" transactions in the United States were commercial or experimental.

The Court is of the opinion that the evidence in this case brings it within the ruling of *Root* v. *Third Avenue Railroad Co.*, 146 U. S. 210, 225, 13 S. Ct. 100, 36 L. Ed. 946 (1892); *Tucker-Aluminum Products, Inc.* v. *Grossman, supra; Paraffine Companies* v. *McEverlast, Inc.*, 84 F. 2d 335, 340 (9th Cir. 1936); *Chicopee Mfg. Corp.* v. *Columbus Fiber Mills Co.*, 165 F. Supp. 307 (M. D. Ga. 1958)—rather than the rulings of *City of Elizabeth* v. *American Nicholson*

Pavement Co., 97 U. S. 126, 24 L. Ed. 1000 (1877) (distinguished in *Root, supra*); *Beedle* v. *Bennett*, 122 U. S. 71, 77, 7 S. Ct. 1090, 30 L. Ed. 1074 (1886); *Servo Corp. of America* v. *General Electric Co.*, 220 F. Supp. 473, 482 (W. D. Va. 1963); rev'd on other grounds, 4th Cir. 1964, 337 F. 2d 716; *Sperry Rand Corp.* v. *Bell Telephone Laboratories, Inc., supra; Ushakoff* v. *United States*, 327 F. 2d 669 (Ct. Claims, 1964); *Amerio Contact Plate Freezers, Inc.* v. *Belt-Ice Corp.*, 316 F. 2d 459, 465 (9th Cir. 1963).

Although plaintiff, Cataphote, now makes the point that the compositions used in these public uses, on sale and sales were not the same compositions as claimed in some of the claims of the patent (e.g., claims 3, 4 and 5, added by the application filed December 18, 1959), Cataphote has previously admitted in its Answers to Interrogatories that all of the Thermaline materials so used and sold were covered by the patent, explicitly stating in Answer to Interrogatory No. 46 that "all sales of Thermoplastic highway marking compositions sold by Cataphote both before and after the issuance of the patents in suit were in accordance with the teachings of the patents in suit or the applications upon which the patents were based."

It was in large part upon this admission and plaintiff's ostensible theory of the case that the issue on separate trial would be merely whether the alleged public uses and on sale were "experimental" in nature that a separate trial of the issue of public use and on sale was ordered by the Court. (See, Memorandum of Decision [on defendant's motion for separate trial of issues]), filed herein May 19, 1964.

Apart from this evidence and this theory of the case, the evidence is further clearly to the effect that Poole was not the inventor of the examples added by the application of December 18, 1959, which form the basis of the speci-

fications of claims 3, 4 and 5. The evidence also clearly shows that the particular form of the product embodied in these claims is a non-substantial variation from Poole's original specifications of November 12, 1957 and, further, that any asserted differences between the composition publicly used, on sale, and sold and other claims of the patent are mere improvements or minor variations.

An improvement or mere variation of a minor character in a product, which is not the substance of the patent and does not add anything in itself patentable to it, will not avoid the invalidating effect of a prior public use or on sale. *International Tooth Crown Co.* v. *Gaylord,* 140 U. S. 55, 64, 11 S. Ct. 716, 35 L. Ed. 347 (1891); *Hall* v. *MacNeale,* 107 U. S. 90, 96, 2 S. Ct. 73, 27 L. Ed. 367 (1882); *Lettelier* v. *Mann,* 91 F. 917, 919 (C. C. S. D. Cal. 1899); *Trimpak Corp.* v. *Schenectady Lumber Co.,* 29 F. Supp. 85, 89 (NDNY 1939); *Freydberg Bros, Inc.* v. *Hamburger,* 17 F. 2d 300, 303 (D. Md. 1927).

In the pending case the Court is convinced that these 1956 public uses, on sales and actual sales of the ultimately patented product were not experimental tests but were commercially designed to promote a market which Cataphote would be ultimately able to exploit on a larger scale when it had developed suitable applicator machinery.

Defendant will prepare proposed findings, conclusions of law and a judgment, serve the same on plaintiff and lodge them with the Court.

IN THE UNITED STATES DISTRICT COURT

For the Northern District of California,

Southern Division.

Cataphote Corporation, *Plaintiff*, *vs.* De Soto Chemical Coatings, Inc., *Defendant.*	Civil Action No. 40,985

FINDINGS OF FACT AND CONCLUSIONS OF LAW.

The above entitled cause came on for trial, as separate issues of the defenses of public use and on sale by plaintiff; and the Court, having heard the evidence, having studied the exhibits, and being fully advised in the premises, now finds the following facts:

FINDINGS OF FACT.

1. This action arises under the patent laws of the United States.

2. On May 29, 1962, United States Letters Patent No. 3,036,928 entitled "Retroreflective Composition and Method of Applying Same" were issued to plaintiff and since that date plaintiff has been and still is the owner of those letters patent.

3. Said Letters Patent No. 3,036,928 were issued to plaintiff, as assignee by mesne assignments of an application of John A. Poole filed on December 18, 1960, as Serial No. 860,459 which application in turn was a continuation-in-part of an application of John A. Poole filed November 12, 1957, as Serial No. 695,718, such latter application being subsequently abandoned.

4. Plaintiff placed the alleged invention of said Letters Patent No. 3,036,928 in public use and on sale in this country more than one year prior to November 12, 1957, the date of the first application for patent thereon in the United States.

5. The use which plaintiff made of the alleged invention of Patent No. 3,036,928 more than one year prior to the filing of the first application for patent thereon in the United States was not an experimental use.

6. The Court adopts, as subsidiary findings to the foregoing Findings of Fact 4 and 5, the statements of fact set forth in its Memorandum of Decision filed October 8, 1964.

Conclusions of Law.

From the foregoing facts, the Court now concludes the following:

1. The Court has jurisdiction of the subject matter and over the parties.

2. John A. Poole Patent No. 3,036,928 is invalid and void in view of the public use and on sale referred to in foregoing Finding of Fact 4.

3. The Court adopts as subsidiary conclusions to the foregoing Conclusion of Law 2, the statements of law set forth in its Memorandum of Decision filed October 8, 1964.

4. The amended complaint should be dismissed at the costs of plaintiff.

5. The jurisdiction of the Court should be retained for the purpose of adjudicating the issues presented by the counterclaim asserted by DeSoto Chemical Coatings, Inc. against Cataphote Corporation and Perma-Line Manufac-

turing Corporation of America and the parties should proceed forthwith with discovery and trial preparation of such issues.

Dated: 11/3/64

W. T. SWEIGERT,
United States District Judge.

Approved as to Form:
Disapproved 10/21/64
(Illegible),
One of the Attorneys for Plaintiffs.

Memorandum follows

Approved 10/21/64
(Illegible),
One of the Attorneys for Defendant.

IN THE UNITED STATES DISTRICT COURT
For the Northern District of California,
Southern Division.

CATAPHOTE CORPORATION, *Plaintiff*, *vs.* DE SOTO CHEMICAL COATINGS, INC., *Defendant.*	Civil Action No. 40,985

JUDGMENT.

This cause coming on for trial on the trial of the separate issue of the defenses of public use and on sale by plaintiff, the trial of that separate issue having been had in open court beginning September 1, 1964, and concluding September 4, 1964, the parties having been represented by counsel and having presented evidence and having made arguments, the Court having handed down its written Memorandum of Decision and Findings of Fact and Conclusions of Law having been entered:

IT IS ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

1. John A. Poole Patent No. 3,036,928 presented for adjudication at the trial of the separate issues is invalid and void.

2. The amended complaint be, and it hereby is, dismissed.

3. The Clerk of this Court is directed to enter a final judgment dismissing the amended complaint and the undersigned expressly determines that there is no just reason for delay in the entry of such final judgment or in prosecuting an appeal therefrom.

4. The Court retains jurisdiction over the counterclaim

of DeSoto Chemical Coatings, Inc. against Cataphote Corporation and Perma-Line Manufacturing Corporation of America.

5. The costs of defending against the complaint and the amended complaint herein are assessed against plaintiff, Cataphote Corporation.

Dated: Nov. 3, 1964.

W. T. Sweigert,
United States District Judge.

Approved as to Form:
Disapproved 10/21/64.

(Illegible)
One of the Attorneys for Plaintiff.

Memorandum follows.
Approved 10/21/64.

(Illegible)
One of the Attorneys for Defendant.

IV. Opinion of the District Court Ordering a Separate Trial.

CATAPHOTE CORPORATION,
Plaintiff,
vs.
DESOTO CHEMICAL COATINGS, INC.,
Defendant.

No. 40985

UNITED STATES DISTRICT COURT,
N. D. California, S. D.
May 19, 1964.

SWEIGERT, *District Judge.*

The issue presently before the Court in this patent litigation is raised by defendant's motion for a separate trial (Rule 42[b], Fed. R. Civ. P., 28 U. S. C.) on the issue whether plaintiff's alleged invention is invalid because placed in public use or on sale in this country more than one year prior to the date of application for said patent within the meaning of 35 U. S. C. § 102(b).

Defendant's motion is based upon Plaintiff's Answers to Interrogatories of Defendant filed November 20, 1962 and January 31, 1963; Plaintiff's Answers to Defendant's Request for Admissions, filed March 7, 1963; Defendant's Motion and Points and Authorities, filed December 23, 1963; Defendant's Points and Authorities filed January 31, 1964; and depositions of Poole, Christie, W. H. Searight and C. E. Searight, which have been lodged but not filed with the Court, and Defendant's Closing Brief, filed February 26, 1964. Plaintiff filed briefs in opposition January 15, 1964 and February 10, 1964.

In support of its motion, defendant states that its discovery thus far has established the following facts:

In September, 1955, plaintiff Cataphote employed the Arthur D. Little Company of Cambridge, Massachusetts, to engage in research looking to the development of a light-reflective, thermoplastic composition to be used in marking highways. The Arthur D. Little Company employed John A. Poole to work on the project. During the remainder of 1955 and prior to November 12, 1956, the Arthur D. Little Company on several occasions sent to Cataphote large quantities of a thermoplastic composition which embodied a formula developed by Poole. Cataphote arranged to have several hundred pounds of said composition laid down on public highways in various cities throughout the United States.

The patent at issue consists of the above-mentioned Poole thermoplastic composition and its method of application.

On three specific occasions, in May and June, 1956, Cataphote sold the Poole composition to the cities of Grand Rapids, Lansing and Jackson, Michigan. In connection with said sales, Cataphote issued regular invoices and received payments. In addition, Cataphote paid its salesman Reed a commission for said sales.

Thomas B. Christie, former manager of sales and promotions for Cataphote, installed the patented combinations in the three above-mentioned cities. He testified at his deposition taken November 19, 1963, that the installations were "demonstrations" and "experimental" applications in order to determine how the Poole combination would stand up under normal public use. However, Christie also testified that he did not make a subsequent re-examination of the installations he had laid down and that he did not know if anyone from Cataphote had made such a subsequent examination. Further, William H. Searight, who

was president of Cataphote at that time, testified in his deposition taken November 19, 1963, that he did not directly inspect the traffic lines after their installation in Grand Rapids, Lansing or Jackson.

However, Charles E. Searight, presently the president of Cataphote, testified at his deposition taken November 19, 1963, that he received oral reports concerning the installations in Grand Rapids and Lansing. As a result of said reports, Cataphote replaced one installation at no cost and gave a credit for the charge incurred in the other installation, which was not replaced. Charles E. Searight further testified that Cataphote communicated the information obtained from these reports to Poole by forwarding said information to the Arthur D. Little Company. Charles E. Searight also testified that there was no follow-up after the Jackson installation.

Poole testified at his deposition taken November 18, 1963 that he did not know of any installations of his invention in Grand Rapids, Jackson or Lansing.

Under 35 U. S. C. § 102(b) a person is not entitled to a patent where the invention was in public use or on sale in this country more than one year prior to the date of the application for patent in the United States. Defendant concedes for the purposes of its motion that the date of plaintiff's application was November 12, 1957. However, defendant contends that the evidence which it has discovered is to the effect that plaintiff's patent was on sale or in public use prior to November 12, 1956. In addition to the Lansing, Grand Rapids and Jackson sales set forth in defendant's depositions, defendant relies on other sales and conduct of plaintiff (e. g., fact that Cataphote on July 23, 1956, filed its application for the trademark "Thermaline" for the Poole combination, in which application Cataphote claimed that the combination had been in continuous

use since June 14, 1956) which is not set forth by affidavit, deposition or otherwise factually in the record presently before the Court.

Plaintiff contends that any use or sale of the patented combination prior to November 12, 1956 was experimental. An exception to the requirement of seasonable disclosure of new inventions set forth in 35 U. S. C. § 102(b) occurs in those situations in which the use in question is of an experimental nature. An inventor, once he has conceived his invention, is accorded sufficient time to perfect his invention. During this period, the time that elapses is not computed as part of the one year requirement of 35 U. S. C. § 102(b). *City of Elizabeth* v. *American Nicholson Pavement Co.*, 97 U. S. 126, 24 L. ed. 1000 (1878); *Electric Storage Battery Co.* v. *Shimadzu*, 307 U. S. 5, 613, 616, 59 S. Ct. 675, 83 L. ed. 1071 (1939); *Atlas* v. *Eastern Air Lines, Inc.*, 311 F. 2d 156 (1st Cir. 1962), cert. den. 373 U. S. 904, 83 S. Ct. 1290, 10 L. ed. 2d 199 (1962); *Ushakoff* v. *United States*, 327 F. 2d 669 (Ct. Cl. 1964). This exception applies even where the experimental use results in an incidental profit to the inventor. However, the exception does not apply where the use is mainly for the purposes of trade and profit, and the experiment is merely incidental to that end. *Smith & Griggs Mfg. Co.* v. *Sprague*, 123 U. S. 249, 256, 8 S. Ct. 122, 31 L. ed. 141 (1887).

Defendant contends that plaintiff's conduct does not come within the exception for experimental use. Defendant points out that the president of Cataphote conceded that there was no follow-up to the Jackson installation. Defendant contends that Cataphote treated the Grand Rapids and Lansing sales as complete by replacing one defective marking and giving credit for another. None of the contemporaneous invoices executed by Cataphote in the Lansing, Grand Rapids and Jackson sales used the word "experimental" or "proforma" to indicate that the sale was

not an ordinary business transaction. Cataphote did not directly inform Poole of the installations or the test results of said installations, notwithstanding the fact that the justification for the experimental use exception is to allow the inventor to perfect his invention.

Thus, should the Court grant a separate trial, the issue before the Court would be whether Cataphote placed the patented combination on sale or in public use in Grand Rapids, Lansing or Jackson, Michigan, or in any other area, prior to November 12, 1956, and, if so, whether such sales or uses qualify under the experimental use exception.

Under Rule 42(b), Fed. R. Civ. P., 28 U. S. C., the Court in furtherance of convenience or to avoid prejudice may order a separate trial of any issue. Generally, a separate trial should not be granted unless the issue is clearly severable from the other issues in the case and does not involve the same evidence. 5 Moore, Federal Practice, Sec. 4203 at 1217 (2d ed. 1951).

Plaintiff contends that in the case at bar the issue whether a particular use of the patented combination by Cataphote was an experimental use is related, not only to the issue of the application of Section 102(b), but also to the issue of invention. The date of invention is fixed when the alleged inventor's ideas are reduced to practice. *Consolidated Vultee Aircraft Corp.* v. *Maurice A. Garbell Inc.*, 204 F. 2d 946, 949 (9th Cir. 1953), cert. denied 346 U. S. 873, 74 S. Ct. 122, 98 L. ed. 381 (1953); *Hann* v. *Venetian Blind Corp.*, 111 F. 2d 455, 458 (9th Cir. 1940).

However, the test for establishing a reduction to practice is different than the test for establishing an experimental use. To establish a reduction to practice of the inventor's idea, there must be a demonstration that the inventor's idea works; in other words, that the invention will perform in a manner which will accomplish its intended pur-

pose. *RCA* v. *International Standard Elec. Corp.*, 232 F. 2d 726, 730 (3rd Cir. 1956). To establish an experimental use, there must be a demonstration that the use was substantially for the purpose of experiment. *Smith & Griggs Mfg. Co.* v. *Sprague, supra,* 123 U. S. at 256, 8 S. Ct. 122. Thus, there may be an experimental use even following reduction to practice where the experiments are part of an attempt to further refine the device. *Atlas* v. *Eastern Air Lines, Inc., supra,* 311 F. 2d at 162; *General Motors Corp.* v. *Bendix Aviation Corp.*, 123 F. Supp. 506, 520 (N. D. Ind. 1954).

It may be that Cataphote will attempt to show that the purpose of a particular alleged public use or sale was experimental by evidence to the effect that said use or sale was part of the process of reduction to practice. On the other hand, defendant may attempt to show that the inventor's idea had already been reduced to practice at the time of the alleged public use or sale.

However, the door will not be open wide on the issue of reduction to practice should the Court grant a separate trial. The issue of reduction to practice would be relevant only to show the purpose of a particular use or sale.

In *Woburn Degreasing Co.* v. *Spencer Kellogg & Sons,* 37 F. Supp. 311 (W. D. N. Y. 1941), the Court granted a separate trial on the issue whether the patented process at issue was invalid because it had been patented in a foreign country pursuant to an application filed more than one year prior to the application in the United States, notwithstanding the fact that there would be some duplication of proof concerning the prior art.

A motion for separate trial under Rule 42(b) is directed to the discretion of the Court. On the one hand, the Court is aware of the policy against piece-meal litigation and is reluctant to sanction a shot-gun approach by

defendant, in which defendant would be encouraged to try out each new theory of defense as it developed through discovery. On the other hand, defendant has made a strong showing of the existence of a defense of prior public use or sale. Merely a single instance of such a prior public use or sale would be fatal to the patent. *Consolidated Fruit-Jar Co.* v. *Wright,* 94 U. S. 92, 94, 24 L. ed. 68 (1876).

Further, in order to sustain his burden of proving a "public use" within the meaning of Section 102(b), defendant must offer evidence that "shall be clear, satisfactory, and beyond a reasonable doubt." *The Barbed Wire Patent,* 143 U. S. 275, 284, 12 S. Ct. 443, 447, 36 L. ed. 154 (1892). However, once a prima facie demonstration of the claimed use has been made, Cataphote would have to demonstrate by "strong and convincing proof" that the use was substantially for experimental purposes. *Atlas* v. *Eastern Air Lines, Inc., supra,* 311 F. 2d at 160.

In other patent cases, the Courts have ordered collateral defensive issues to be tried separately in advance of the issues of patent validity and infringement.

In *Aldridge* v. *General Motors Corp.,* 178 F. Supp. 839 (S. D. Calif. 1959), the Court separately tried, following a motion under Rule 42(b), the issue of file wrapper estoppel in a patent infringement suit.

In *Seven-Up Co.* v. *O-So Grape Co.,* 177 F. Supp. 91 (S. D. Ill. 1959), affirmed 283 F. 2d 103 (7th Cir. 1960), cert. denied 365 U. S. 869, 81 S. Ct. 903, 5 L. ed. 2d 859 (1960), the Court ordered the issue of laches tried separately from the issues of trademark infringement and unfair competition. See also *Air King Products Co.* v. *Hazeltine Research,* 10 F. R. D. 381 (E. D. N. Y. 1950) (issue of estoppel based upon license agreement separately tried from the issue of validity of 550 patents).

In the case at bar, should the case turn upon the com-

paratively simple issue of public or experimental use or sale, the Court and the parties would be saved from the necessity of determining the more complex issues of patent validity and infringement. Defendant has already made a prima facie showing of public use or sale. On the other hand, should the Court order a separate trial and the defendant not prevail on the issue of public sale or use, the inconvenience to the Court and the parties would not be great, because defendant would have been entitled to raise that defense in any event during the trial and, further, because the amount of evidence on experimental use which also goes to the issue of reduction to practice is not great.

Further, any inconvenience to the plaintiff resulting from any undue delay by the defendant following the separate trial, should plaintiff prevail on the separate trial, can be avoided by conditioning the granting of defendant's motion on a stipulation by defendant that it would be ready to proceed to the trial of the case in chief within a reasonable time.

Accordingly, the Court orders that defendant's motion for separate trial on the issue whether plaintiff's alleged invention is invalid because placed in public use or on sale in this country more than one year prior to the date of application for said patent within the meaning of 35 U. S. C. § 102(b) will be granted upon the filing by defendant with the Court of a written stipulation to the effect that defendant will be ready to proceed to the trial in chief, should plaintiff prevail in the separate trial, within sixty days of the decision of the Court in the separate trial.

This case has been assigned to this Court for all further proceedings. Accordingly, the parties will file pre-trial statements on the above issue and apply to the Court for a date for trial within a reasonable time.

It is so ordered.

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In the Supreme Court
OF THE
United States

October Term, 1966

No. 293

Cataphote Corporation,
Petitioner,
vs.
De Soto Chemical Coatings, Inc.,
Respondent.

OPPOSITION TO PETITION FOR THE WRIT OF CERTIORARI

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In the Supreme Court
OF THE
United States

OCTOBER TERM, 1966

No. 293

CATAPHOTE CORPORATION,
Petitioner,

vs.

DE SOTO CHEMICAL COATINGS, INC.,
Respondent.

OPPOSITION TO PETITION FOR THE WRIT OF CERTIORARI

The writ of certiorari should be denied. The petition presents no question warranting the time and the energy of this Court and there is no substance to the complaints which it urges. The case is a routine one, of interest only to the litigants, wherein a patentee lost a case at the trial level, and the Court of Appeals, after examining the record, affirmed the findings of fact, conclusions of law, and the judgment of the District Court.

OPINIONS BELOW

The petition correctly recites the opinions below.

JURISDICTION

The petition correctly recites the jurisdictional elements upon which it is based.

QUESTIONS PRESENTED

Can the petitioner obtain a second review merely by

1. Charging that the District Court denied due process when no due process question was raised before the District Court, and

2. Charging that the Court of Appeals denied due process when due process was first raised in that Court on a petition for rehearing, and

3. Charging the Court of Appeals with placing a burden of proof upon the patentee which the Court itself did not do?

STATEMENT OF THE CASE

Petitioner sued respondent for infringement of a patent on a thermoplastic highway marking composition and method for applying the composition to a surface, all of which stemmed from a single original patent application and a continuation-in-part application based on that orig-

inal. Both applications named one John A. Poole as sole inventor.

The original application disclosed compositions containing polystyrene resins. The continuation-in-part application added the disclosure of an alkyd resin to the original composition. The sixteen claims of the issued patent included several generic claims addressed to thermoplastic resins generally, certain claims directed to polystyrene resins and certain claims directed to alkyd resins.

As the Court of Appeals found, petitioner placed thermoplastic pavement marking compositions, specifically the polystyrene compositions, in public use and on sale more than one year prior to the filing of the original application.

While that original application was pending in the United States Patent Office, petitioner filed its continuation-in-part application on December 18, 1959, adding the alkyd resin claims which form the subject matter of the petition. With regard to the merits of the evidence, the District Court found (Petition, p. 32):

> ". . . the evidence is further clearly to the effect that Poole was not the inventor of the examples added by the application of December 18, 1959, which form the basis of the specifications of claims 3, 4 and 5. The evidence also clearly shows that the particular form of the product embodied in these claims is a non-substantial variation from Poole's original specifications of November 12, 1957 and, further, that any asserted differences between the composition publicly used, on sale, and sold and other claims of the patent are mere improvements or minor variations."

The District Court concluded as applicable to such facts (Petition, p. 33):

> "An improvement or mere variation of a minor character in a product, which is not the substance of the patent and does not add anything in itself patentable to it, will not avoid the invalidating effect of a prior public use or on sale. *International Tooth Crown Co. v. Gaylord,* 140 U.S. 55, 64, 11 S.Ct. 716, 35 L.Ed. 347 (1891); *Hall v. MacNeale,* 107 U.S. 90, 96, 2 S.Ct. 73, 27 L.Ed. 367 (1882); *Lettelier v. Mann,* 91 F. 917, 919 (C.C.S.D.Cal. 1899); *Trimpak Corp. v. Schenectady Lumber Co.,* 29 F.Supp. 85, 89 (NDNY 1939); *Freydberg Bros., Inc. v. Hamburger,* 17 F.2d 300, 303 (D. Md. 1927)."

On appeal, petitioner, as found by the Court of Appeals, urged (Petition, p. 19) "that the finding of public use and sale in excess of one year prior to patent application should not have been applied to this new patentable alkyd resin product." The Court of Appeals answered this argument (Petition, p. 20):

> "We conclude this argument is untenable. The alkyd resin patent claim is clearly barred by the same public use and sale which barred the styrene resin claim. The variation represented by the change in resin composition was not demonstrated to have entailed a patentable novelty. The variation involved was but a minor variation of the product, and added nothing which was patentable. The prior public use or sale which invalidated the patent application of November 12, 1957 similarly invalidated the continuation-in-part application."

On petition for rehearing, the Court of Appeals modified its opinion by holding specifically that the findings of the District Court were supported by the evidence (Petition, p. 24).

ARGUMENT

The subject matter of questions 1 and 2 as posed by petitioner, relating to the denial of due process, does not emerge from the record.

The District Court granted a separate trial "on the issue whether plaintiff's alleged invention is invalid because placed in public use or on sale in this country more than one year prior to the date of application for said patent within the meaning of 35 U.S.C. § 102(b) . . ." (Petition, p. 46). Clearly, the resolution of that issue carried with it the resolution of the subsidiary issue as to whether the prior public use of thermoplastic resins made of polystyrene invalidated claims to thermoplastic resins made with an alkyd. If, as found by the District Court and the Court of Appeals, the patentee was not the inventor of the alkyd resin and if, as found by the District Court and the Court of Appeals, the alkyd resins were a non-substantial variation from the original specifications and if, as found by the District Court and the Court of Appeals, the asserted differences were mere improvements or minor variations, there is no conflict in the authorities which the District Court applied and which support the holding that the prior public use or on sale has the effect of invalidating the entire patent.

Petitioner's complaint that it has been deprived of due process in this regard is a mere afterthought born after the issues had been fully tried and after petitioner's excuse that the prior public use or on sale was experimental had been rejected by both courts below.

Before the parties offered a single item of evidence, the District Court made it clear that the scope of inquiry on the separate trial would extend to the incidental question whether the use or sale of the polystyrene resins would invalidate the alkyd resin claims. The discussion on this issue alone occupied a substantial portion of the trial transcript (RT 18-47).

In respondent's opening case, respondent assumed the burden of proof, as it was required to by U. S. Code, Title 35, Section 282, to prove its defense of public use and on sale and offered portions of the deposition of the patentee John A. Poole to show that he was not the inventor of the subject matter of claims 3 through 5 (RT 229-238). This deposition was read over the objection of counsel for petitioner (RT 230-231). On this issue also, respondent examined Ezra M. Alexander, the laboratory director of petitioner and brought out that he—not Poole—had formulated the embodiment of the application which supported claims 3 through 5 (RT 185-195). This likewise was over objection of petitioner (RT 186-187). Respondent also read into evidence testimony of Charles E. Searight, president of petitioner, showing that there was no substantial difference between the two specific forms of thermoplastic resins (RT 249-250).

At the close of respondent's prima facie case, petitioner brought a motion to strike the defense as related to the

subject matter of claims 3, 4 and 5 (RT 286-289). The colloquy between counsel and the Court pertinent to the petition for certiorari concludes at page 289:

> "Mr. Merriam: The motion is for judgment on the alleged defense that Mr. Poole was not the inventor of the subject matter of Claims 3, 4 and 5 of the patent.
>
> "The Court: Was not the inventor of what?
>
> "Mr. Merriam: The subject matter of Claims 3, 4 and 5 of the patent.
>
> "The Court: Well, frankly, that is not the issue we are trying. We are trying the issue of prior use here and this question comes up only insofar as it may be related to that.
>
> "Mr. Merriam: Well, my motion would be, then, —What I am trying to avoid, Your Honor, is being put in a position of having to introduce evidence on that point. I don't think it has been established and yet I'd like to be sure on the point. It was not a point I expected to try at all.
>
> "The Court: Well, I will deny the motion."

After the motion was denied, petitioner did introduce evidence on that point. It examined Charles E. Searight, its president, and sought to prove the derivation of the formula in question from Mr. Poole's notebook (RT 481-484). Respondent went into this same subject matter on cross-examination (RT 493-499).

Not once during the entire trial did petitioner raise the issue of due process. After the evidence was in, the issues with regard to claims 3, 4 and 5 were argued on the merits and petitioner lost on the merits. The District Court, as it said it would, decided the issue of claims 3, 4 and 5 "only insofar as it may be related to that [issue of prior use]."

In the Court of Appeals, petitioner's specification of errors in its opening brief, required by the rules of the Court of Appeals for the Ninth Circuit, did not even mention due process. The only errors specified on the issues presented in the petition were the following (Appellant's Opening Brief, pp. 19-20):

> "11. The trial court erred in finding and holding that the evidence is further clearly to the effect that Poole was not the inventor of the examples added by the application of December 18, 1959, which form the basis of the specifications of Claims 3, 4 and 5 (R. 27).
>
> "12. The trial court erred in finding and holding that the evidence also clearly shows that the particular form of the product embodied in these claims (3, 4 and 5) is a non-substantial variation from Poole's original specifications of November 12, 1957 (R. 27).
>
> "13. The trial court erred in finding and holding that any asserted differences between the composition publicly used, on sale, and sold and other claims of the patent are mere improvements or minor variations (R. 27)."

Those specifications go to the merits of the issue and not to the question of due process.

After petitioner lost the appeal on the merits, it then, in the petition for rehearing, raised the question of due process for the first time.

Respondent submits that the trial before the District Court and the appeal before the Court of Appeals comported to all requirements of due process of law. The issues decided were implicit in, and incidental to, the general issue set down for separate trial.

Petitioner was given every opportunity to introduce evidence and did, in fact, introduce evidence on the issue. The question of due process of law was not raised until after both the District Court and the Court of Appeals decided adversely to petitioner on the merits of the controversy. The point—an obvious afterthought—is without merit.

The petition should be denied.

Dated, San Francisco, California,
July 22, 1966.

Respectfully submitted,

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No. 293

CATAPHOTE CORPORATION,
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vs.

DE SOTO CHEMICAL COATINGS, INC.,
Respondent.

PETITIONER'S REPLY BRIEF.

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PETITIONER'S REPLY BRIEF.

Petitioner prays that the instant reply brief be considered in view of respondent's misrepresentations in its brief in opposition.

The Questions Presented by Petitioner Are of Importance to All Property Owners.

If the actions of the trial court stand uncorrected, they become authority for depriving an owner of property without trying the issue of whether he should or should not be so deprived. All that is necessary is for the trial court to order him to trial on another issue affecting another piece of property, permit his antagonist, without previous notice, to offer evidence affecting the first piece of property, and instruct the property owner that issues affecting the first piece of property are not being tried.

The Question of Due Process Did Not Arise Until After the Trial.

Respondent argues that petitioner did not raise the due process question before the trial court.

During the trial, the District Court instructed petitioner that the only issue being tried was prior use (V. 4, p. 289). About a month after the trial, the court issued its opinion. This opinion included a decision on the additional issues of inventorship and patentability of claims 3-5, notwithstanding the court's instruction to petitioner that the only issue being tried was prior use. By deciding these additional issues after instructing petitioner otherwise, petitioner was denied due process; and the denial of due process occurred at the time the court issued its opinion, about a month after the trial.

Because the denial of due process did not occur until about a month after the trial, petitioner could hardly have raised the question of due process at the trial.

Petitioner Complained of the Trial Court's Actions in the Initial Proceedings at the Appellate Level.

Respondent argues that petitioner did not raise the due process question before the Court of Appeals until the petition for rehearing.

The trial court's actions in deciding the additional issues were questioned in the initial proceedings before the Court of Appeals; and the question was cast in terms of impropriety and unfairness. In this connection, reference is made to appellant's (petitioner's) opening brief at pages 40 and 44, and to appellant's (petitioner's) reply brief at page 16. The Court of Appeals, in its decision on the initial proceedings, completely ignored the question of whether the trial court's actions were improper or unfair.

Thereafter, in a petition for rehearing, petitioner again raised the question before the Court of Appeals, this time casting the question in terms of "due process." The actions complained of as denial of due process on the petition for rehearing and the actions complained of as improper and unfair in the initial proceedings before the Court of Appeals were identical.

On the petition for rehearing, the Court of Appeals ignored the due process question just as it ignored the same question, cast in the terms of impropriety and unfairness, in the initial proceedings before the Court of Appeals.

At No Time Did the Trial Court Ever Indicate That It Would Decide the Issues of Patentability and Inventorship of Claims 3-5.

Contrary to the contention in the second paragraph on page 6 of respondent's brief in opposition, the trial court never "made it clear that the scope of inquiry on the separate trial would extend to the incidental question of whether the use or sale of polystyrene resins would invalidate the alkyd resin claims." The portion of the transcript (Vol. 3, pp. 18-47) cited by respondent indicates no such thing. In that portion of the transcript the trial court was faced with the question of whether the additional issues should be *considered* at the separate trial, and the court stated (Vol. 3, p. 47):

> "Well, I tell you what we can do. We are here. Let him [respondent] go ahead and establish what he can by way of prior use, and we will just have it in mind that before we can make a determination here we have to resolve this situation."

The situation the court had to resolve was whether the additional issues were to be *considered* at the separate trial. It was not the additional issues, themselves, which the court indicated required resolution.

That the additional issues would *not* be tried at the separate trial was subsequently made clear when the court stated, in denying petitioner's motion for judgment on the additional issue of inventorship, "Well, frankly, that is not the issue we are trying. We are trying the issue of prior use here and this question [inventorship] comes up only insofar as it may be related to that" (Vol. 4, p. 289).

Petitioner's motion for judgment on the additional issue of inventorship was denied by the trial court because, as the trial court pointed out, "that is not the issue we are trying."

Moreover, it defies logic to contend, as does respondent, that the question of whether the inventor was Mr. Poole or Mr. Alexander is related to whether the character of a prior use is primarily experimental or primarily commercial.

The Trial Court Misled Petitioner to Forego Preparation and Submission of Evidence on the Additional Issues.

In its *prima facie* case, on the question of inventorship of claims 3-5, respondent offered deposition testimony of both Mr. Poole (the inventor named on the patent) and Mr. Alexander (at the time of the trial an employee of petitioner, and the person whom respondent contended was the inventor). Thereafter, the trial court made it clear that the question of inventorship "is not the issue we are trying." This instruction misled petitioner to forego preparation and submission of live testimony by Messrs. Poole and Alexander. Neither of these persons was at the trial, but at least Mr. Alexander, and possibly both Messrs. Alexander and Poole, could have been brought to the trial if petitioner had been given notice at any time before or during the separate trial that the additional issue of inventorship was one of the issues being tried.

Contrary to the contention in the last three lines on page 7 of respondent's brief, the trial court did not say that it would *decide* "the issue of claims 3, 4 and 5 'only insofar as it may be related to that [issue of prior use]'." Respondent distorts the statement of the trial court set forth at Vol 4, p. 289. What the trial court did say was that the issue of inventorship of claims 3-5 was not the issue being tried and that the question of inventorship of claims 3-5 *comes up* only insofar as it may be related to the issue of prior use. As previously pointed out, there was no logical relationship between the one issue (whether the inventor is Poole or Alexander) and the other issue (whether the character of the prior use was primarily experimental or primarily commercial).

Moreover, when the trial court instructed petitioner that the only issue being tried was prior use, it did not say it would consider the further additional issue of patentability of claims 3-5, in any way, either directly or incidentally.

Respondent does not deny that petitioner submitted no evidence on the issue of patentability of claims 3-5 after having been instructed by the trial court that the only issue being tried was prior use.

Conclusion.

It is respectfully submitted that the petition for a writ of certiorari herein sought should be granted.

Respectfully submitted,

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